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July 27, 2007

Mr. Bill Pfanner
Project Manager
California Energy Commission
1516 Ninth Street, MS-15
Sacramento, CA 95814

Re: CPV Sentinel Energy Project
Docket Number 07-AFC-03

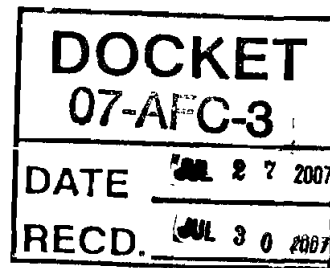
Dear Mr. Pfanner:

Mission Springs Water District (District) staff and Competitive Power Venture (CPV) staff are in the process of discussing various options regarding the water supply needs of their "Sentinel Energy Project". These discussions have gone on since late last year and have considered several options. Presently, we are discussing an option that considers the use of effluent from our Horton wastewater treatment plant which is currently used to replenish the Mission Creek Basin. The Horton plant currently processes approximately 1.3 million gallons per day of waste water, or approximately 1,500 acre feet per year. We understand that the Sentinel project will consume a maximum of 1,100 acre feet per year, and the estimated lifetime average consumption of water at Sentinel is expected to be 550 acre feet per year.

This option is something we intend to present to the District Board for consideration. However, the use of water for any purpose in this valley requires extensive evaluation and the terms and conditions to move forward with this proposal requires further attention. This latest option may have some merit and I will work with CPV staff to resolve our issues and formulate an agreement that is acceptable to everyone.

It is the District's practice to enter into comprehensive bilateral agreements in complex situations like this, rather than issuing a will-serve letter, so that the interests of both parties can be clearly defined. Some of the commercial terms and conditions under current negotiation include funding of waste water treatment upgrades, the timing of the upgrades, the funding, location, ownership and specifications for wells and infrastructure, and provisions covering default conditions.

The District's mission is to insure that water is available for our current and future uses. Negotiations between the District Staff and CPV Sentinel have progressed on these



matters, and we intend to be good stewards of the water resources in our basin. I will do everything I can to be sure we have something to the District Board as quickly as possible.

If you have any questions, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Arden Wallum". The signature is fluid and cursive, with the first name "Arden" being more prominent than the last name "Wallum".

Arden Wallum
General Manager

cc: Mark Turner, CPV
Bob Hren, CPV
MSWD Board of Directors